

Message Text

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46

ACTION EB-07

INFO OCT-01 EA-10 ISO-00 XMB-04 COME-00 TRSE-00 /022 W

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R 210835Z MAY 75

FM AMEMBASSY SEOUL

TO SECSTATE WASHDC 183

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STATE PASS EXIMBANK FOR RUSSELL PRICE

E.O. 11652: N/A

TAGS: BEXP, KS

SUBJECT: SAM YANG RADIAL TIRE MANUFACTURING FACILITY

1. OFFICIAL OF KUMHO TRADING COMPANY, PARENT OF SAM YANG TIRE, REQUESTS CLARIFICATION OF CRITERIA USED IN TEST OF U.S. ORIGIN. YOUR ATTENTION DIRECTED TO EXCHANGE OF TELEXES MARCH 22 AND MARCH 26 BETWEEN KUMHO AND EXIMBANK.

2. FACTS PRESENTED BY KUMHO AS FOLLOWS: SAM YANG HAS ENTERED INTO TECHNICAL LICENSING ARRANGEMENT WITH UNIROYAL FOR PRODUCTION OF RADIAL TIRES IN KWANGJU PLANT. UNIROYAL ALSO PROPOSES TO SUPPLY CERTAIN RADIAL TIRE PRODUCTION EQUIPMENT. SAM YANG HAS SUBMITTED PRELIMINARY LOAN APPLICATION TO EXIMBANK FOR APPROXIMATELY DOLS 2.2 MILLION, BUT ANTICIPATES FINAL AMOUNT MAY BE LESS, PERHAPS DOLS 1.8 MILLION. THIS PROJECT NUMBER EIGHT ON EPB PRIORITY LIST.

3. PROBLEM ARISES IN THAT UNIROYAL IS MULTINATIONAL CORPORATION AND USES RADIAL TIRE PRODUCTION EQUIPMENT FABRICATED IN EUROPE WHERE RADIAL TIRE TECHNOLOGY ORIGINATED. REVIEW OF EQUIPMENT LIST SHOWN EMBOFF BY KUMHO REP INDICATES THAT ROUGHLY ONE-FOURTH OF EQUIPMENT NEEDED IN TOTAL PACKAGE IS OF U.S. ORIGIN. WE HAVE ATTEMPTED TO EXPLAIN OUR UNDERSTANDING OF LEGISLATION LIMITING EXIM FINANCING TO U.S. ORIGIN GOODS, BUT KUMHO REP REQUESTS FURTHER CLARIFICATION GIVEN "SPECIAL CIRCUMSTANCES" INVOLVED IN THIS EQUIPMENT PURCHASE. FOR INSTANCE, IF TIRE PRODUCTION LINE IS FABRICATED IN FRANCE USING SOME,
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NOT ALL, U.S. COMPONENTS AND SHIPPED TO KOREA BY UNIROYAL,

WHAT IS BREAK-OFF PERCENTAGE OF U.S. CONTENT TO QUALIFY ENTIRE
SHIPMENT FOR EXIM FINANCING? ALTERNATIVELY, WOULD EXIM FINANCE
ONLY U.S. PORTION OF TOTAL EQUIPMENT COST? EMBASSY ANTICIPATES
LATTER ANSWER, BUT TRANSMITTING THIS TELEGRAM AT SPECIFIC
REQUEST OF KUMHO. EMBOFF ALSO SUGGESTED KUMHO SEEK ALTERNATIVE
FINACING FOR NON-U.S. PORTION BUT KUMHO REP RESPONDED ENTIRE
DEAL WOULD FALL THROUGH IF PROJECT FINANCING ON MORE FAVORABLE EXIM
TERMS UNAVAILABLE*
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